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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, CHAIRMAN
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BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

2014 FEB 14 P 3:19

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 14 2014

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IN THE MATTER OF THE APPLICATION OF
CHAPARRAL CITY WATER COMPANY FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASE IN ITS RATES
AND CHARGES BASED THEREON.

DOCKET NO. W-02113A-13-0118

ORIGINAL

STAFF NOTICE OF ERRATA

The Utilities Division ("Staff") of the Arizona Corporation Commission ("ACC") files this notice of errata regarding the Staff cost of capital Surrebutal testimony by John A. Cassidy filed February 7, 2014. Attached are the corrected Surrebuttal Schedules JAC-6 and JAC-8. The corrected schedules properly reflect (i) Staff's estimated Retention Growth (br) projections (See Schedule JAC-6, Column [C]), (ii) Staff's estimated Sustainable Growth projections (br + vs) (See Schedule JAC-6, Column [F]), and (iii) Staff's overall average constant growth DCF dividend growth (g) rate (See Schedule JAC-8, Column [B]). These corrections do NOT result in a change to Staff's overall cost of capital recommendation.

RESPECTFULLY SUBMITTED this 14th day of February, 2014.

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Original and thirteen (13) copies of
the foregoing filed this 14th day of
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Chaparral City Water Company Cost of Capital Calculation
Sustainable Growth
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]
	Retention Growth 2002 to 2012 <u>br</u>	Retention Growth Projected <u>br</u>	Stock Financing Growth <u>vs</u>	Sustainable Growth 2002 to 2012 <u>br + vs</u>	Sustainable Growth Projected <u>br + vs</u>
<u>Company</u>					
American States Water	3.8%	5.2%	1.5%	5.3%	6.8%
California Water	2.6%	3.4%	1.7%	4.2%	5.1%
Aqua America	4.0%	5.2%	1.8%	5.8%	7.0%
Connecticut Water	2.0%	3.6%	4.2%	6.2%	7.8%
Middlesex Water	1.3%	2.8%	3.0%	4.2%	5.7%
SJW Corp	3.3%	3.8%	0.1%	3.5%	3.9%
York Water	<u>2.2%</u>	<u>3.7%</u>	<u>4.6%</u>	<u>6.8%</u>	<u>8.3%</u>
Average Sample Water Utilities	2.7%	4.0%	2.4%	5.2%	6.4%

[B]: Value Line

[C]: Value Line

[D]: Value Line, MSN Money, and Form 10-Ks filed with the Securities and Exchange Commission (<http://www.sec.gov/>)

[E]: [B]+[D]

[F]: [C]+[D]

Chaparral City Water Company Cost of Capital Calculation
Calculation of Expected Infinite Annual Growth in Dividends
Sample Water Utilities

[A]	[B]
<u>Description</u>	<u>g</u>
DPS Growth - Historical ¹	3.7%
DPS Growth - Projected ¹	6.1%
EPS Growth - Historical ¹	6.5%
EPS Growth - Projected ¹	6.1%
Sustainable Growth - Historical ²	5.2%
<u>Sustainable Growth - Projected²</u>	<u>6.4%</u>
Average	5.7%

1 Schedule JAC-5

2 Schedule JAC-6